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SUBJECT: BUSINESS LEADERS SUPPORT MEXICAN MILITARY AND MERIDA
INITIATIVE; DEEPER REFORMS STILL NEEDED

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¶1. (SBU) Summary. ON April 23 Post convened a group of respected business leaders for an in-depth discussion of Mexico's progress on security, the role of the military and their perspective on the Merida Initiative. The business leaders thought that Mexico could be at a tipping point in terms of its ability to defeat the drug cartels and develop clean institutions. Our interlocutors fully supported President Calderon's use of the military to fight the cartels, but they saw little trust in other public institutions, particularly the state and municipal police. Without effective state and local law enforcement, one businessman lamented, it would be difficult for the GOM to make progress in the medium term even though it is now registering short term success. They also strongly supported the Merida Initiative, and hoped that the USG would extend it and expand contemplated arms trafficking reduction efforts, intelligence sharing and police training. Finally, these leaders did see some hopeful signs that the Mexican public supports fighting the cartels, citing the increased numbers of security complaints (denuncias) being filed. End Summary.

Mexico at a Tipping Point vis-a-vis Corruption

¶2. (SBU) Several businessmen lamented how just a few years ago Monterrey was a very safe city, but now its citizens face a large increase in drug usage, kidnappings and extortion, petty crime, and highway cargo theft. Manual Zambrano, former head of the business association Coparmex, noted that some businessmen have permanently left Monterrey for the U.S. because they were threatened or are simply scared. Julio Cesar Cepeda, president of the business association CANACO, complained that authorities do not bother to punish petty crime, creating a sense of impunity. Businesses are incurring substantial costs because of the deterioration of the security environment. David Eaton of Kansas City Southern Railroad (KCS) said that 25% of their salary costs are for security for the trains, but it still isn't enough. In another meeting, John Castany, president of the Nuevo Leon Maquila Association, commented that businesses are not leaving due to security concerns, but firms may not decide to locate to Mexico if the decision is close between Mexico and another country.

¶3. (SBU) Eaton argued (and the others agreed) that Mexico is at a tipping point that will decide if the Government of Mexico can effectively take on the drug cartels. Eaton warned

that if Mexico (and the U.S.) waste time, the Mexican people could lose confidence in their government, the government could become so corrupt that it will not fight the drug cartels, and it would be extremely hard after that to rebuild state institutions.

¶4. (SBU) Our business interlocutors believe that the key issue is corruption and the deterioration of Mexican public institutions. Carlos Jauregui, head of the Nuevo Leon Citizens Security Advisory Committee, described a feeling of insecurity. For instance, if a person's relative is kidnapped, their family usually does not report the crime since they lack confidence in the police. Similarly, Eaton commented that if KCS trains are vandalized in outlying towns, KCS receives little help from the local police, either because they are not capable (with little equipment) or they are corrupt. Several businessmen commented how the police were still very poorly paid, making them susceptible to corruption. Our contacts agreed that police reforms have not been effective, although in some areas, such as in the wealthy suburb of San Pedro, the municipal police are far better than in other metropolitan areas. Jauregui added that judicial reform is essential to improving the security situation. However, according to Jauregui the reforms such as oral trials are a sham, because in that particular case the government has no clear plan, the reform covers only a few offenses, and they have been poorly implemented.

¶5. (SBU) Despite these problems, the business leaders did not think that the Mexican public has 'woken up' to the problem. Several commented that in other countries it took a spectacular assassination or other terrible event to galvanize the people into action, and this has not yet happened in Mexico. They

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discussed several other regions, such as Sicily or Colombia, where a dramatic event turned the tide of public opinion so that the average person became interested in working to improve the situation.

Support for the Military; When Can the Police Step Up?

¶6. (SBU) Echoing comments that post has heard many times, the businessmen fully supported President Calderon's use of the Mexican military to fight the cartels. Cepeda emphasized that the people trust the military, while Eaton went farther, arguing that the military had prevented a possible failed Mexican state by calming the situation and restoring order in violent areas. In some places the military is the only effective arm of the government. For example, in the northern rural sections of Nuevo Leon the drug cartels have intimidated or compromised the mayors and police, so only the military will confront the cartels. However, while they agreed that the continued use of the military to police Mexico is not sustainable, our contacts did not see any plan to prepare state and local police to take up the fight if and when the soldiers return to their barracks.

The Merida Initiative is a Great Start but Mexico Needs More Help

¶7. (SBU) Our business contacts were unanimous in their praise of the Merida Initiative, but called for even more help. PAN Nuevo Leon deputy Francisco Cantu argued that Mexico needs more money, intelligence sharing, and effective means to root out corruption. Zambrano commented that controlling arms

trafficking was critical to restricting the means of the cartels to attack the GOM. All thought that the Merida Initiative will take much longer than three years to be effective. Finally, since the Mexican police must eventually take over the army's role, they saw the importance of helping to strengthen the state and local police, including higher pay to reduce the incentive for corruption.

Several Hopeful Signs

18. (SBU) Despite the general gloom, the business leaders did see several hopeful signs. They pointed to the success of the Mexican military in arresting a number of important cartel leaders. In addition, they were very positive in the potential of the Merida Initiative. PAN deputy Cantu thought that there had been slow advances in intelligence at the federal level. Business leader Cepeda stated that there have been an increased number of public complaints filed with the Mexican Federal Police (PFP) and the Mexican military, indicating the people will denounce criminals if they have confidence in the institutions.

19. (SBU) Comment. Based on this conversation and many others like it, in the Monterrey region there is strong public support for the Mexican military and a belief that the Merida Initiative is the right track. We agree that it is crucial to strengthen Mexican law enforcement and judicial institutions because the military cannot fight this battle indefinitely. Reliable state and municipal police forces are indispensable in the long run to win the battle against corruption and narcotics traffickers. End Comment.
WILLIAMSON